

CITY AUDITOR'S OFFICE



INTERNAL CONTROL REVIEW ACTIVITY REPORT JUNE 30, 2008

Report No. CAO 2900-0809-02

September 17, 2008

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CITY AUDITOR

INTERNAL CONTROL REVIEW ACTIVITY REPORT JUNE 30, 2008

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BACKGROUND

The City Auditor's Office has the responsibility to Evaluate, Enhance, Educate, and Enforce internal control issues that come to the Office's attention.

- **Evaluate** - The Office independently and objectively performs Internal Control Reviews to evaluate applicable internal controls through professional expertise and judgment.
- **Enhance** - After evaluation, the Office makes recommendations to enhance the adequacy and effectiveness of existing controls and further recommends additional controls as appropriate.
- **Educate** - Through the Internal Control Review Memorandums to management and the periodic Internal Control Review Activity Reports, the Office educates management and others of appropriate internal controls.
- **Enforce** - Enforcement is limited to supplying data to management to help them enforce the policies and procedures of the City.

The results of the Internal Control Reviews are reported in two steps:

- An Internal Control Review Memorandum is released to the appropriate levels of management and the Mayor and City Council. This Memorandum assists management in the timely correction of control deficiencies.
- Semiannually, a summary report is made of all findings and recommendations from the Internal Control Review Memorandums and released in a *formal Internal Control Review Activity Report*.

This report summarizes the Internal Control Review Memorandums issued since the last Internal Control Review Activity Report (June 30, 2007), including findings, recommendations, and management responses. The recommendations are included in the follow-up system for tracking purposes.

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OBJECTIVES

Our objectives in completing the *Internal Control Review Activity Report* are to:

- Review all activity for the period noted relative to internal control reviews;
- Document for tracking purposes findings and recommendations noted in Internal Control Review Memorandums; and
- Report to the public the results of activities of the City Auditor's Office.

The objectives of each of the Internal Control Reviews were to:

- Determine the adequacy of existing internal controls;
- Determine the reason(s) for any control failure;
- Recommend corrective action; and
- Report the results of our review.

SCOPE AND METHODOLOGY

The scope of the audit was limited to Internal Control Review Memorandums issued from July 01, 2007 through June 30, 2008.

The scope of our work on internal control was limited to the controls within the context of the objectives and the scope of each Internal Control Review.

Our audit methodology during each of the Internal Control Reviews included:

- Observing operations.
- Interviewing personnel.
- Reviewing records, reports, and other applicable documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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INTERNAL CONTROL MEMORANDUMS ISSUED

1. ICR-037 Internal Control Review: West Community Center -- Short Deposit

Background: On February 22, 2007, Finance & Business Services contacted the City Auditor's Office concerning a deposit made by the West Community Center on February 14, 2007. Well's Fargo Bank reported that this deposit was short by \$301 and there were no signs of tampering of the deposit bag. Detention & Enforcement was notified and subsequently conducted an investigation into the missing funds. Detention & Enforcement was unable to determine who took the missing money and unable to solve this case.

Findings and Conclusions:

- The deposit in question was prepared by the Center Coordinator. The Coordinator stated that she had her staff verify and initial the deposit slip.
- The staff who initialed the deposit slip stated that she did not actually count the cash before initialing the deposit slip. The staff later recanted this statement.
- The Center Coordinator stated that after preparing the deposit and sealing it in the deposit bag, she left the deposit bag unattended when she went into another room.
- The Center Coordinator failed to identify the currency by denomination and total coins on the deposit slip.
- Leisure Services' Class Cash Drawer Procedures (1.21 H1d) only states that currency and coins should be filled out on the deposit slip. The procedures do not emphasize the need for detailing out the currency by denomination and the total amount of coins.

Recommendations:

1. Leisure Services management should formally remind its employees of the importance of detailing out the denominations of cash collected and total coins in the area provided on the deposit slip.
2. Leisure Services management should formally remind its employees of the importance of placing deposits in locked safes when not in their possession.
3. Leisure Services management should enhance its Class Cash Drawer Procedures by further clarifying the requirement to list currency by denomination and the total amount of coins on deposit slips.

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2. ICR-038 Internal Control Review: Delayed Deposits – City Attorney’s Office

Background: The City Attorney’s Office collects various fees from the public. These fees are typically small amounts and collected on an irregular basis. On June 22, 2007, the Department of Finance and Business Services identified that these funds were not being deposited in accordance with City policy.

Findings and Conclusions:

- The City Attorney’s staff was not recording cash receipts into the City’s cash receipting system (ATLAS) at the time of collection, but at a later time. Manual general receipts were issued to customers rather than ATLAS generated receipts despite having access to the ATLAS system.
- Upon review of collections and deposits for the period January 2, 2007 to April 3, 2007, we noted 19 transactions that were not deposited until 50 to 140 days after collection. This is a violation of the City’s Cash Handling Policy (FN302) that requires revenue collections to be deposited within 24 hours.
- We also noted that these funds were being placed in a locking bank deposit bag and locked in the supervisor’s office rather than being secured in the immediate area of where the funds were collected as required by the City’s Cash Handling Procedure (FN302a).

Recommendations:

1. The City Attorney’s Office should require its staff to enter revenue collections into ATLAS, generate ATLAS receipts for customers, and prepare deposits in accordance with the City’s Cash Handling Policy and Procedures and the ATLAS Cash Receipting System manual.
2. The City Attorney’s Office should turn in all but one general receipt book to Finance to discourage delayed recording of revenue collections into ATLAS and delayed deposits.
3. The City Attorney’s Office should request that a secure locking drawer be installed in the immediate area of where the funds are collected.

3. ICR-040 Internal Control Review: Muni Sports – Missing Funds (NSOA)

Background: In May 2007, the Muni Sports office staff was registering teams for softball registration and \$168.00 was collected from each team to pay the “Official Fees” to NSOA. At some point during this process, an envelope containing \$8,568 collected for NSOA, mostly in checks, went missing. It was a common practice for the owner of NSOA, to come into the Muni Sports office and take his envelope of fees collected out of the safe. At the time of this incident there was no safe access log, no accounting for the official fees remitted to NSOA and two Muni Sports employees who were working for NSOA after hours. This conflict of interest issue was addressed in the City Auditor’s

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Office Numbered Memo #0708-02, dated January 29, 2008. Due to the lack of internal controls, D&E was unable to submit for prosecution.

Findings and Conclusions:

- The Muni Sports Coordinator should have ensured the safe was locked at all times and followed the established cash handling procedures.
- The Muni Sports Coordinator should have established an approved procedure to account for and disburse the funds collected on behalf of NSOA.

Recommendations:

1. Leisure Services management should formally remind its employees who handle cash of the importance of adhering to the established cash handling procedures.
2. Leisure Services management should formally remind its employees of the importance of placing funds collected in locked safes when not in their immediate possession.
3. Leisure Services management should enforce their Department Policy on the Collection of Funds for Non-City Organizations (LS-33-PR).
4. Leisure Services management should ensure that all employees with outside jobs have an approved Outside Employment Request and that the outside employment does not conflict nor compete with the interests of the City.

4. ICR-041 Internal Control Review: Durango Hills Golf Course Deposit Theft

Background: On August 21, 2007, the City Treasurer's Office reported that DHGC bank deposits contained six personal checks of the DHGC's General Manager. These personal checks totaling \$4,540 were returned from the bank as Non Sufficient Funds (NSF).

The General Manager subsequently admitted to IRI management that he had purposely exchanged his personal checks with cash from the DHGC bank deposits of his staff. In addition, he regularly had his staff cash his personal checks from the cash register. A review of the DHGC's bank deposits from June 25 through August 8, 2007 showed that 14 of the General Manager's personal checks totaling \$6,888.85 had cleared the bank and 6 personal checks totaling \$4,540 were returned as NSF. Therefore, the City was short \$4,450 from the actions of the General Manager. Intermingling personal funds with City funds is a violation of the City's cash handling policies and procedures.

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Findings and Conclusions:

The opportunity for this theft existed due to the following:

- The DHGC cashier staff did not adhere to the City's cash handling policies and procedures by accepting the General Manager's personal checks in exchange for cash.
- The DHGC General Manager took advantage of his position by requesting that his staff cash his personal checks.
- The DHGC General Manager tampered with the cashier's deposits by taking cash out of their deposits and replacing the cash with his personal checks.

Recommendations

1. The Department of Finance should send a written reminder of the City's cash handling policies and procedures to IRI Management and request that they implement procedures to ensure that the DHGC General Manager is in compliance with these policies and procedures.
2. The Treasurer's Office should provide the new DHGC General Manager with training to ensure the establishment of proper cash controls, segregation of duties, and management oversight.
3. The Treasurer's Office should enhance their oversight of cash handling procedures at DHGC to ensure that proper cash handling procedures are being followed and spot check daily cashier reports against actual bank deposits.

5. ICR-043 Internal Control Review: Department of Leisure Services – Property Theft and Procurement Card Fraud

Background: In January 2007, Detention and Enforcement Officers recovered 93 items belonging to the City with an estimated value of \$25,900. These items had been taken over several years by a City of Las Vegas employee with the ACE Division of the Department of Leisure Services. Items included audio-visual equipment and other equipment used by the Division in its operations. Items were found at the employee's home and his storage unit. Some of the recovered items were easily identified by City of Las Vegas property tags while other items required verification through cross-referencing to serial numbers, sales receipts and other documents.

The employee was terminated on February 8, 2007 and he was subsequently charged with Burglary, Embezzlement, and Possession of Stolen Property.

Findings and Conclusions:

The employee had taken some of the items directly from City facilities while others were purchased by the employee using a City P-Card and taken home.

The employee was able to take the City's property without detection because of control failures in the following areas:

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- Leisure Services Management failed to adequately oversee the department/division fixed asset inventory in compliance with FN210a.1.
- The ACE Division stores its equipment in several different inside and outside locations. Outside storage areas are fenced but lack an alarm system. Management failed to maintain adequate control over custody of the assets.
- The ACE Division failed to adequately operate the equipment tracking program for monitoring the location of items.
- The ACE Division failed to perform adequate and periodic inventory counts of equipment.
- The ACE Division failed to verify items purchased with P-Cards are received by the City.
- Leisure Services Management failed to adequately oversee the department/division fixed asset inventory in compliance with FN210a.1. The Department of Leisure Services failed to comply with this policy because it did not enforce an established inventory/equipment tracking program or perform regular inventories of its equipment.
- Leisure Services Management failed to require adequate review by approvers in compliance with FN605a.1. Supervisors with responsibility for reviewing the employee's purchase receipts failed to identify the fabricated receipts despite obvious "red flags" of fraud.

Leisure Services Management failed to require adequate review by approvers in compliance with FN605a.1. The employee purchased personal items utilizing his City P-Card. The true nature of the purchases was hid by falsifying receipts submitted for supervisory review. Supervisors with responsibility for reviewing the purchases and supporting receipts failed to notice glaring evidence that the receipts had been fabricated (e.g., noticeable spelling errors, receipts without store logos, unusual paper type for a receipt, excuses by employee for not submitting original receipts).

Recommendations:

1. Leisure Services Management should follow and require ACE Management to follow Fixed Asset Procedure FN210a.1 to include the following elements:
 - Master equipment listing (using a dollar threshold deemed appropriate by management) with the location of the equipment.
 - Procedures for receipt and recording of equipment into the master equipment listing.
 - Use of City equipment identification tags where deemed appropriate.
 - Check-out procedures when equipment is taken off-site for an event.
 - Regular inventory procedures (at a minimum annually).
 - Reconciliation of the pieces of equipment with a cost greater than \$5,000 on the master equipment listing to Finance's fixed assets records and IT purchased equipment to IT records.
 - Procedures to be followed when equipment is identified as surplus or damaged.

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2. Leisure Services management should create a policy prohibiting personal use of City property and storage of City property at personal residences. This policy should be communicated to employees and employees should be warned of the serious consequences for violation of this policy.
3. ACE management should work with Detention & Enforcement in evaluating the adequacy of security at equipment storage locations.
4. Leisure Services Management should require an adequate review by ACE managers and supervisors. This should include the following:
 - Instruction on how this P-Card fraud was perpetrated.
 - Direct the approvers on appropriate techniques and practices to identify questionable transactions, including appropriate follow-up.
 - Instruct approvers to be more thorough in their review of P-Card receipts.

6. ICR 044 - Internal Control Review: Missing Safekey Deposit at Doolittle Community Center

Background: On Tuesday, April 10, 2007, a Doolittle Community Center Sr. Recreation Leader opened the safe and took out nine deposit bags, signed the safe log and proceeded to the Wells Fargo Night Depository. On April 13, 2007, all but one deposit for \$174.00 (\$104.00 in cash and a \$70 check) were posted by the bank.

The Sr. Recreation Leader said, "I wrap the bags to ensure that they are all dropped and I double check the bank drawer to make sure that everything has fallen. The bags might be stuck together." We spoke to a bank representative who stated that they did not have any problems with bags being stuck together. The bank also reviewed their courier manifest and vault logs and the deposit bag had not been recorded in either place.

When Detention & Enforcement completed their Case Summary on May 22, 2007, the \$70.00 check had not yet been negotiated. Safekey management had not yet requested a replacement check from the customer when questioned in October 2007. They subsequently requested and received a replacement check. The cash from the deposit remains missing.

Findings and Conclusions:

Detention & Enforcement was unable to determine whether the missing deposit was stolen or lost by the Sr. Recreation Leader. With the nine plastic deposit bags wrapped up together during transportation to the bank, the missing bag may have been dropped. The deposit bags would have been more secure if carried to the bank in a carrier such as a bank bag.

Due to miscommunication between D&E and Safekey staff, Safekey management did not request a replacement check from the missing deposit in a timely manner.

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Recommendations

1. Leisure Services should require staff members to use a transport carrier/bank bag when taking multiple deposits to the bank.
2. Leisure Services should maintain a log of missing or stolen customer checks to ensure efforts are made in a timely manner to recoup funds.

7. ICR 045 - Internal Control Review: Misuse of FedEx Account (Leisure Services)

Background: On February 9, 2008, a Buyer in Purchasing and Contracts identified a FedEx Air bill (air bill) for \$55.91 that Finance and Business Services could not properly pay due to missing accounting coding. An Accounts Payable clerk asked the Buyer to research the air bill.

The air bill had Leisure Services' name and address on the preprinted form, but the Leisure Services Accounting Technician was unable to determine who actually sent the package. The Accounting Technician emailed department employees twice requesting information on who had sent the package. No responses were received.

A Recreation Leader from Safekey finally came forward and explained that she had sent a package of Leisure Services brochures to Pearland, Texas using a Leisure Services pre-printed air bill.

Upon further investigation, inconsistencies were found in her story and there were indications that the package was personal as follows:

- The 20 lb package was sent FedEx Priority Overnight to a residential address. It would be rare for any Leisure Services package to be sent priority overnight or to a residential address.
- Safekey supervisors stated that they had not given permission for sending any brochures to anyone and were not aware of any reason for sending the brochures to the addressee on the air bill.
- The addressee identified on the air bill was LDT. The package was sent to an address whose property owners have these initials in their name. The Recreation Leader apparently tried to disguise that the package was being sent to an individual by using the first letters of the names of the property owners to give the appearance that the addressee was a business.

Findings and Conclusions:

- There was no control of blank air bills, allowing anyone the opportunity of shipping personal items at City's expense.

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- There was no written policy or procedure governing the use of commercial shipping which amounted to approximately \$33K in 2007.

Recommendations:

1. Leisure Services Management should prepare a desk procedure for using commercial shipping services.
2. Leisure Services Management should ensure that air bills are controlled and logged for each use.
3. Leisure Services Management should modify LS-13, Guiding Work Principles to include the misuse of shipping services, e.g., USPS, FedEx, UPS, etc.
4. Finance & Business Services should draft a desk procedure for all departments using City paid commercial shipping services.

8. ICR-047 Internal Control Review: Muni Sports – Missing Funds

Background: On Tuesday, March 11, 2008, an Office Specialist working at the Muni Sports Office left work without balancing out or making a deposit. The last transaction she handled for \$475.00 in cash, which she states went into the cash drawer. Upon returning to work on Friday, March 14, 2008, she could not find the \$475.00 in cash, but funds received from other transactions were still in the cash drawer. The override key to the cash drawer was hanging on a wall in plain view of other employees. The Office Specialist did not inform her Supervisor of the loss until late afternoon on March 14, 2008. When the D&E investigator asked who had the combination to the safe, it was discovered that a previous employee (who is under investigation for a loss of funds) still had the combination to the safe. The City locksmith was notified and the combination was changed. It was also noted that there was only one cash drawer used by multiple employees. These employees kept the funds collected at their desks. The CLASS system administrator was notified and additional cash drawers have been ordered. D&E was unable to determine who took the missing money.

Findings and Conclusions:

- The Office Specialist should have informed her Supervisor that she had money that was not deposited before she left the office.
- The Office Specialist should have called her Supervisor informing him that she did not balance out for the day.
- The Supervisor should have checked the cash drawer and safe to ensure that all deposits were out of the safe and taken to the bank for deposit.
- The Supervisor should have checked the CLASS system to determine if everyone balanced out for the day.

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- The Supervisor should have called the City locksmith when the employee with knowledge of the safe combination transfers to other location.
- The cash drawer override key should have been secured and controlled by the Supervisor.

Recommendations:

1. Leisure Services management should formally remind its employees who handle cash of the importance of adhering to the established cash handling procedures.
2. Leisure Services management should formally remind its employees of the importance of placing funds collected in locked safes when not in their immediate possession.
3. Leisure Services management should enforce its Class Cash Drawer Procedures by further clarifying that supervisors should review Class transactions each day for their employees to ensure funds are deposited daily and not left in cash drawers or safes.
4. Leisure Services management should ensure that override keys are properly secured and used only when necessary.
5. Leisure Services management should ensure that the safe combinations are changed according to the cash handling policy and procedures.

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**MANAGEMENT RESPONSES
TO
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1. ICR-037 Internal Control Review: West Community Center -- Short Deposit

Recommendation 1: Leisure Services management should formally remind its employees of the importance of detailing out the denominations of cash collected and total coins in the area provided on the deposit slip.

Management Response: The Field Supervisor assigned to oversee the operation of West Community Center will meet with staff to review City of Las Vegas Cash Handling Policies that applies to the incident.

Estimated Date of Completion: Completed: 08/28/07

Recommendation 2: Leisure Services management should formally remind its employees of the importance of placing deposits in locked safes when not in their possession.

Management Response: The Field Supervisor assigned to oversee the operation of West Community Center will meet with staff to review City of Las Vegas Cash Handling Policies that applies to the incident.

Estimated Date of Completion: Completed: 08/28/07

Recommendation 3: Leisure Services management should enhance its Class Cash Drawer Procedures by further clarifying the requirement to list currency by denomination and the total amount of coins on deposit slips.

Management Response: Management will review policies to ensure that all staff know and understand the mandated processes regarding cash handling.

Estimated Date of Completion: Completed: 09/7/07

2. ICR-038 Internal Control Review: Delayed Deposits – City Attorney’s Office

Recommendation 1: The City Attorney’s Office should require its staff to enter revenue collections into ATLAS, generate ATLAS receipts for customers, and prepare deposits in accordance with the City’s Cash Handling Policy and Procedures and the ATLAS Cash Receipting System manual.

Management Response: A RJC Cash Handling Procedure and/or instruction manual was prepared and distributed to each ATLAS user. Each ATLAS user was trained on entry and deposit preparation.

Estimated Date of Completion: Completed: 08/9/07

Recommendation 2: The City Attorney’s Office should turn in all but one general receipt book to Finance to discourage delayed recording of revenue collections into ATLAS and delayed deposits.

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Management Response: These will be gathered and returned immediately. The remaining receipt book will only be used only in emergency and/or as approved by the supervisor.

Estimated Date of Competition: Completed: 08/13/07

Recommendation 3: The City Attorney's Office should request that a secure locking drawer be installed in the immediate area of where the funds are collected.

Management Response: There is a secure drawer in the immediate area, as well as, in each ATLAS user work station so that they may maintain custody of the collections until the daily processes are completed. Each ATLAS user has received an individual locking bank bag and key, as well as, as key to individual secure drawers to maintain the funds until the deposit is completed and submitted to the Municipal Court safe.

Estimated Date of Competition: Completed: 08/9/07

3. ICR-040 Internal Control Review: Muni Sports – Missing Funds (NSOA)

Recommendation 1: Leisure Services management should formally remind its employees who handle cash of the importance of adhering to the established cash handling procedures.

Management Response: Cash Handling Training was provided in 07, and again on 4/17/08 2:00pm – 3:00pm at the Sports Office, all current full time employees were in attendance.

Estimated Date of Completion: 4/17/08

Recommendation 2: Leisure Services management should formally remind its employees of the importance of placing funds collected in locked safes when not in their immediate possession.

Management Response: This was completed with all full time employees in attendance at the meeting on 4/17/2008.

Estimated Date of Completion: 4/17/08

Recommendation 3: Leisure Services management should enforce their Department Policy on the Collection of Funds for Non-City Organizations (LS-33-PR).

Management Response: The ICR was completed May 14th; the Department is currently in the process of disciplining employees for the incident.

Estimated Date of Completion: 6/13/08

Recommendation 4: Leisure Services management should ensure that all employees with outside jobs have an approved Outside Employment Request and that the outside employment does not conflict nor compete with the interests of the City.

Management Response: Agreed. This will be an ongoing and a continuing process.

Estimated Date of Completion: 4/17/08

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4. ICR-041 Internal Control Review: Durango Hills Golf Course Deposit Theft

Recommendation 1: The Department of Finance should send a written reminder of the City's cash handling policies and procedures to IRI Management and request that they implement procedures to ensure that the DHGC General Manager is in compliance with these policies and procedures.

Management Response:

We have sent the cash handling policies and procedures to IRI Management along with a request they implement procedures to ensure DHGC General Manager is in compliance. We indicated we would be setting up a meeting to follow up with IRI Management to review the procedures they have put in place, in mid June.

Estimated Date of Completion: 6/30/08

Recommendation 2: The Treasurer's Office should provide the new DHGC General Manager with training to ensure the establishment of proper cash controls, segregation of duties, and management oversight.

Management Response:

We have sent the cash handling policies and procedures to the DHGC General Manager for review and indicated we would follow up in mid June with a training meeting to ensure that proper cash controls, segregation of duties, and management oversight have been put into place.

Estimated Date of Completion: 6/30/08

Recommendation 3: The Treasurer's Office should enhance their oversight of cash handling procedures at DHGC to ensure that proper cash handling procedures are being followed and spot check daily cashier reports against actual bank deposits.

Management Response:

The spot checking of daily cashier reports against the actual bank deposits has been added to the Treasury procedures for DHGC.

Estimated Date of Completion: 6/30/08

5. ICR-043 Internal Control Review: Department of Leisure Services – Property Theft and Procurement Card Fraud

Recommendation 1: Leisure Services Management should follow and require ACE Management to follow Fixed Asset Procedure FN210a.1 to include the following elements:

- A master equipment listing (using a dollar threshold deemed appropriate by management) with the location of the equipment.
- Procedures for receipt and recording of equipment into the master equipment listing.
- Use of City equipment identification tags where deemed appropriate.

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- Check-out procedures when equipment is taken off-site for an event.
- Regular inventory procedures (at a minimum annually).
- Reconciliation of the pieces of equipment with a cost greater than \$5,000 on the master equipment listing to Finance's fixed assets records and IT purchased equipment to IT records.
- Procedures to be followed when equipment is identified as surplus or damaged.

Management Response: Leisure Services management has been following FN210a to ensure that all relevant equipment is added to appropriate inventory lists. Leisure Services also has an inventory policy LS-38, along with assistance from finance this inventory is done annually across all facilities in LS, and equipment is tagged accordingly. All purchases over \$5000 follow the fixed asset inventory procedures and finance issues the appropriate tags for this equipment. In addition and since the incident the technical unit now keeps a record of all equipment use and movement by using sign out sheets for all equipment removed from the storage facility, equipment is not loaned out ever and a technical unit employee is always present and operating the equipment. FN210a.1 also covers the Surplus equipment subject and ACE management will have all full time staff read and sign the policy to keep on record as proof of reading and understanding the policy.

Estimated Date of Completion: 4/30/08

Recommendation 2: Leisure Services management should create a policy prohibiting personal use of City property and storage of City property at personal residences. This policy should be communicated to employees and employees should be warned of the serious consequences for violation of this policy.

Management Response: Leisure Services management has found it necessary to create a policy relating to this matter it can be found at every LS facility LS-13. ACE management is having all full time staff read and signs this particular policy to keep on record, as proof that the staff is aware of this policy and its consequences.

Estimated Date of Completion: 4/30/08

Recommendation 3: ACE management should work with Detention & Enforcement in evaluating the adequacy of security at equipment storage locations.

Management Response: A complete upgrade was completed on the Vegas Yard, in March 2008, with the installation of extra Lighting and 24hour video surveillance. This was completed by the Field Operations division under the supervision of Steve Ford.

Estimated Date of Completion: 4/30/08

Recommendation 4: Leisure Services Management should require an adequate review by ACE managers and supervisors. This should include the following:

- Instruction on how this P-Card fraud was perpetrated.
- Direct the approvers on appropriate techniques and practices to identify questionable transactions, including appropriate follow-up.
- Instruct approvers to be more thorough in their review of P-Card receipts.

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Management Response: Since the incident that has induced this audit, a new procedure was put in place by the Technical Supervisor that requires any and all P-Card holders to submit a Purchase Request for approval. Before obtaining supplies or services of any kind, only upon approval of this request can the purchase be made. In addition to this the Leisure Services Dept has also introduced a Pre-Purchase approval procedure, requiring prior approval for any purchases. A meeting was held with LS Finance to review procedures following the purchase to review the receipts and the P-Card reconciliation reports to validate the information.

Estimated Date of Completion: 4/30/08

6. ICR 044 - Internal Control Review: Missing Safekey Deposit at Doolittle Community Center

Recommendation 1: Leisure Services should require staff members to use a transport carrier/bank bag when taking multiple deposits to the bank.

Management Response: Recreation Division Management agrees with the Auditors recommendations and will comply. Deposit bags will be issued to all Community Center/Community School sites so that bank deposits may be handled securely. Direction on this procedure will be communicated in the form of an e-mail to all full-time Recreation Division Staff.

Estimated Date of Completion: 1/2/08

Recommendation 2: Leisure Services should maintain a log of missing or stolen customer checks to ensure efforts are made in a timely manner to recoup funds.

Management Response: Management agrees with the Auditors recommendations and will attempt to have the missing check(s) reissued by the patron(s). The Coordinator at the site where the issue occurred will be responsible for maintaining a log of missing, and reissued checks.

Estimated Date of Completion: 1/2/08

7. ICR 045 - Internal Control Review: Misuse of FedEx Account (Leisure Services)

Recommendation 1: Leisure Services Management should prepare a desk procedure for using commercial shipping services.

Management Response: The following email was forwarded by the Director to LS-All staff on Fri, Apr 18: *The attached desk procedure addresses the use of commercial shipping services. All staff must adhere to these procedures when utilizing these services.*

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**DESK PROCEDURES
FOR USE OF SHIPPING COMPANIES**

Leisure Services has established desk procedures to process shipping invoices for companies such as USPS, Federal Express, UPS and Yellow Transportation. There are outlined procedures for who is responsible for each step of the process below.

The most notable items detailed are:

1. the requirement to fill out a DPR to process the invoice,
2. the requirement that all ship tickets/air bills must be attached to the invoice,
3. the requirement that the DPR (as do all DPR's) must be signed by a Division Manager or above.

Also, please note that the use of the City's Procurement System, whether it is shipping of goods or use of a Pcard or PO to purchase personal goods or services is strictly prohibited, even if the amount purchased is reimbursed to the City of Las Vegas.

Responsibilities

Requester

- Shipments are for CLV business only, personal shipments are not allowed even if CLV is reimbursed.
- Confirm the invoice matches the ship ticket/air bill.
- Complete the DPR and attach original invoice and ship ticket/air bill, then forward to the approving authority for approval.

Approving Authority (Div Mgr or above)

- Verify the shipment is for CLV business.
- Ensure the DPR form is accurate and complete.
- Approve the DPR for payment by signing the appropriate line.
- Submit completed original documents to Accounts Payable.

Accounting Operations

- Verify DPR is complete and signed.
- Verify cost on DPR matches all attached invoices/ship ticket/air bill.
- Review documents for any discrepancies
- Attach all documents securely
- Process the invoice for payment
- Retain copy of DPR, invoices, ship/air bill in division specific file folder

Estimated Date of Completion: 1/2/08

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Recommendation 2: Leisure Services Management should ensure that air bills are controlled and logged for each use.

Management Response: recommendation addressed in the desk procedures.

Estimated Date of Completion: 1/2/08

Recommendation 3: Leisure Services Management should modify *LS-13, Guiding Work Principles* to include the misuse of shipping services, e.g., USPS, FedEx, UPS, etc.

Management Response: In the next meeting of the LS policies & procedures committee, LS will address amending LS-13, Guiding Work Principles, to include the following statement: *The use of the City's Procurement System, whether it be shipping of goods or use of a Pcard or PO to purchase personal goods or services is strictly prohibited, even if the amount purchased is reimbursed to the City of Las Vegas. In addition, use of USPS, FedEx, UPS, etc. is for CLV business only, personal shipments are not allowed.*

Estimated Date of Completion: 6/15/08

Recommendation 4: Finance & Business Services should draft a desk procedure for all departments using City paid commercial shipping services.

Management Response: Staff has been notified of the proper steps to process a Federal Express Bill. The Fraud Policy to clearly state that use of City Resources to procure personal items is prohibited, even if the purchase is reimbursed. This is currently under review by the CMO.

Correspondence sent to all Departments on proper processing of Federal Express Bills:

We have reviewed our practices in place for processing shipping invoices for companies such as Federal Express, UPS and Yellow Transportation. We have outlined who is responsible for each step of the process below. Please review the information below. Most notable items detailed below are the requirement to fill out a DPR to process the invoice, all ship tickets must be attached to the invoice and the DPR (as do all DPR's) need to be signed by a Division Manager or above. Also, please note item #1 below. The use of the City's Procurement System, whether it be shipping of goods or use of a Pcard or PO to purchase personal goods or services is strictly prohibited, even if the amount of purchased is reimbursed to the City.

Who is responsible for each step of the process?

Requester

1. Shipments are for CLV business only, personal shipments are not allowed even if CLV is reimbursed.
2. Confirm the invoice matches the ship ticket.
3. Complete the DPR and attach original invoice and ship ticket, then forward to the approving authority for approval.

Approving Authority

4. Verify the shipment is for CLV business.
5. Ensure the DPR form is accurate and complete.

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6. Approve the DPR for payment by signing the appropriate line.
7. Submit completed original documents to Accounts Payable.

Accounting Operations

8. Verify DPR is complete and signed.
9. Verify cost on DPR matches all attached invoices.
10. Review documents for any discrepancies
11. Process the invoice for payment

Estimated Date of Completion: 1/2/08

8. ICR-047 Internal Control Review: Muni Sports – Missing Funds

Recommendation 1: Leisure Services management should formally remind its employees who handle cash of the importance of adhering to the established cash handling procedures.

Management Response: This was completed with all full time staff in attendance at a meeting on 4/17/2008 2:00 pm – 3:00 pm

Estimated Date of Completion: Completed 4/17/08

Recommendation 2: Leisure Services management should formally remind its employees of the importance of placing funds collected in locked safes when not in their immediate possession.

Management Response: This was completed with all full time staff in attendance at a meeting on 4/17/2008 2:00 pm – 3:00 pm

Estimated Date of Completion: Completed 4/17/08

Recommendation 3: Leisure Services management should enforce its Class Cash Drawer Procedures by further clarifying that supervisors should review Class transactions each day for their employees to ensure funds are deposited daily and not left in cash drawers or safes.

Management Response: This will be addressed specifically in a training provided by Marc Walters

Estimated Date of Completion: BY 5/13/08

Recommendation 4: Leisure Services management should ensure that override keys are properly secured and used only when necessary.

Management Response: Staff was directed to keep the over ride key in the safe at all times

Estimated Date of Completion: 4/18/08

Recommendation 5: Leisure Services management should ensure that the safe combinations are changed according to the cash handling policy and procedures.

Management Response: only the Leisure Activities Coordinator and Recreation Leader II now have the safe combination.

Estimated Date of Completion: The combination was changed the week of 4/10/08 immediately following the discovery of the missing funds.